#CommActUpdate

Universal Service Policy and the Role of the Federal Communications Commission

Comments of the Lifeline Connects Coalition

The Lifeline Connects Coalition hereby provides its comments on the House Energy and Commerce Committee's white paper entitled "Universal Service Policy and the Role of the Federal Communications Commission" focusing primarily on the Federal Communications Commission's ("FCC's or "Commission's") Low-Income Program – Lifeline. The members of the Lifeline Connects Coalition are Telrite Corporation, i-wireless LLC, Global Connection Inc. of America, and Blue Jay Wireless LLC, all wireless Lifeline eligible telecommunications carriers ("ETCs") in various states. All four members of the Lifeline Connects Coalition are top 15 wireless Lifeline providers and Telrite and i-wireless are top 5 wireless Lifeline providers. These ETCs have joined together to protect and preserve the integrity of the Lifeline program by educating and separating myths from facts about the program, sharing best practices on compliance and industry self-regulation, and by proposing additional reforms dubbed "Lifeline Reform 2.0" to the FCC in a petition for rulemaking filed last year.

I. Lifeline Serves an Important Purpose

The Lifeline program was established in 1985 to fulfill the obligation from the Communications Act that "consumers in all regions of the Nation, including low-income consumers...should have access to telecommunications and information services, including...advanced telecommunications and information services..."[1] This is a universal service principle that must be preserved, protected and promoted.

The Lifeline program uses funds collected by the Universal Service Fund (not appropriated funds) to provide a uniform monthly subsidy per eligible consumer of $9.25 (plus an additional $25 supplement for residents of Tribal lands). Wireless Lifeline providers generally offer 250 free minutes or texts for the $9.25 benefit and 1,000 or unlimited minutes for the enhanced tribal benefit. Lifeline currently serves approximately 14.2 million subscribers at a cost of $1.8 billion in 2013 (down from a high of $2.2 billion in 2012), making it the smallest of the FCC's three major Universal Service programs (E-rate $2.2 billion annually; High Cost/Connect America $4.5 billion cap annually).[2] We estimate the nationwide participation rate in Lifeline to be less than 40 percent, which means that more than half of those eligible for discounted phone service do not receive it.

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[1] 47 U.S.C. § 254(b)(3).

[2] *See* Universal Service Administrative Company 2013 Annual Report at 6-13, available at http://www.usac.org/_res/documents/about/pdf/annual-reports/usac-annual-report-Interactive-Layout-2013.pdf.

Lifeline provides low-income Americans with affordable access to critical communications services necessary to connect to jobs, healthcare, emergency services, family and community. As the general telecommunications market has shifted toward wireless, so has Lifeline, with 85 percent of disbursements now supporting wireless services. The number of wireless minutes provided to low-income consumers has also increased from 68 to 250 as the number of wireless competitors in the space, including resellers, has grown. Therefore, the Lifeline service has transitioned from an emergency phone to a more robust wireless offering that allows the Lifeline beneficiary to juggle changing shifts often at multiple part-time jobs and cobble together childcare in order to cover those shifts, pick up overtime and provide better opportunities for their children. Mobility is key for low-income Americans. The ability to pick up an additional shift on the way home from another job or to arrange for a family member or neighbor to care for children so that an additional shift can be accepted is crucial for those Americans living paycheck-to-paycheck and trying to make ends meet.

As Professor David Super at Georgetown Law School has astutely observed, efficient administration of anti-poverty programs increasingly relies on access to communications by program recipients.[3] That makes Lifeline a key glue that holds together the federal and state social welfare system and makes it more effective. Program administration and eligibility workers increasingly rely on telephone contacts and interviews to facilitate receipt and renewal of benefits so that agencies can have fewer physical offices and statewide caseloads for more efficient workload distribution.[4] As more and more benefits transactions occur online, such as online Supplemental Nutrition Assistance Program ("SNAP") benefit renewals, Lifeline will need to provide that Internet access to benefits recipients so that these efficiencies are not lost.

II. The Lifeline Program Has Been Successfully Reformed

The members of the Lifeline Connects Coalition would agree that the Lifeline program that relied entirely on applicant self-certifications of eligibility and lacked a duplicates database for companies to check to make sure that recipients did not receive multiple benefits was not fully safeguarding USF funds collected from American ratepayers. However, that is not the Lifeline program that we consider today. In early 2012, the FCC dramatically reformed the Lifeline program for the better and set the program on a new course to fiscal responsibility and effective administration.[5]

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3 *Ex Parte* of David A. Super, Professor of Law, Georgetown Law, WC Docket Nos. 11-42, 03-109, CC Docket No. 96-45, at 4-7 (filed Nov. 7, 2011).

4 *See id.* at 4 ("Both to avoid making applicants and recipients miss time from their jobs and to more efficiently use agency staff, many states now are relying almost entirely upon telephone interview to establish the eligibility of applicants and recipients.").

5 *See Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training,* WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report And Order and Further Notice Of Proposed Rulemaking, 27 FCC Rcd 6656, FCC 12-11 (2012) ("*Lifeline Reform Order*").

The Lifeline program of today requires all applicants to show proof of eligibility for the benefit at enrollment, confirm extensive certifications,[6] use the discounted service or lose it, and annually recertify eligibility. ETCs are required to provide extensive disclosures in marketing materials and applications, review proof of eligibility, and check all applicants in a national or state duplicates database prior to providing a wireless handset (if applicable), activating service, and seeking reimbursement for the services provided. Finally, ETCs are subject to constant auditing by the Universal Service Administrative Company ("USAC") and large ETCs are required to pay for biennial compliance audits by independent auditors that report to USAC and the FCC.

The most important of the FCC's 2012 reforms was the development and implementation of the National Lifeline Accountability Database ("NLAD" or national duplicates database). Prior to the implementation of the database, an ETC generally had only limited ways of knowing whether an applicant for its Lifeline service already received a Lifeline benefit from another ETC. The Lifeline Connects Coalition member companies joined with two dozen other ETCs to voluntarily utilize an interim inter-company duplicates database developed by CGM, LLC to prevent over 375,000 duplicate enrollment attempts. This equates to savings to the Lifeline program of over $4 million per month or $50 million annually. This was done on a voluntary basis as a matter of industry self-regulation while the NLAD was being developed, but it could only include the subscriber lists for those ETCs that voluntarily participated.

Thankfully, such inter-company duplicate detection is no longer voluntary. More than a year after it was due, the FCC's duplicates database went live in the first quarter of 2014 and it is now up and running. The NLAD defines a duplicate subscriber as one with the same last name, date of birth AND last four digits of the social security number as another Lifeline subscriber. It uses this standard to screen duplicate Lifeline enrollment attempts in real-time at the time of application. The Lifeline Connects Coalition member companies actively worked with the FCC and the USAC on the implementation of the NLAD, and still contribute to bi-weekly calls and webinars regarding changes and clarifications to NLAD operation. No database is perfect, but the NLAD uses a clear and reasonable duplicate definition and is working well.

With the national duplicates database and other key reforms in place, the Lifeline program is now on stable footing and has transitioned into an efficient and effective helping hand for low-income Americans to access critical communications services necessary to connect to jobs, healthcare, emergency services, family and community.

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6 Applicants must certify under penalty of perjury, among other things, that their household will receive only one Lifeline service, and that they are not already receiving Lifeline service, the applicant will update his or her address within 30 days of a change, and the applicant acknowledges that he or she may be required to recertify continued eligibility at any time. *See* 47 C.F.R. § 54.410(d)(3).

III. The Lifeline Connects Coalition Has Proposed Further Lifeline Reforms to Strengthen the Program

The FCC's 2012 reforms to the Lifeline program effectively reduced waste, fraud and abuse while producing significant cost savings. In June 2013, the Commission adopted additional reforms to bolster the integrity of the program.[7] And yet, the members of the Lifeline Connects Coalition believed there was still more that could be done. In June of last year, we proposed a comprehensive package of reforms, dubbed "Lifeline Reform 2.0."[8] Following comments submitted to the Commission, we advanced proposals that had garnered widespread support, especially among wireless Lifeline service providers. With the passage of time and the introduction of the NLAD that includes an identity verification component for which we had advocated, the Coalition modified its proposed package of key reforms.[9] The most important of those reforms are discussed below: establishing minimum standards for state eligibility databases, FCC process reform on pending items and allowing ETCs to retain copies of applicants' proof of eligibility.

A. Minimum Standards for State Eligibility Databases

The *Lifeline Reform Order* called for the implementation of a national Lifeline eligibility database by the end of 2013, but that has proven to be a difficult task. We are unsure if or when a national eligibility database will be developed. In the meantime, some states have developed their own databases, which is an effort that the Lifeline Connects Coalition members generally support. "Good" state eligibility databases are beneficial to the Lifeline program because they accurately confirm each applicant's eligibility for Lifeline and they reduce burdens associated with recertification – burdens that can keep eligible subscribers out of the program while imposing substantial costs on ETCs. State databases that do not meet minimum standards, however, result in eligible consumers being denied benefits, impose significant costs on ETCs and do significant damage to the Lifeline program.

The FCC has recognized that states may develop their own databases to address Lifeline applications. However, there must be some standards set for those databases to avoid allowing duplicate enrollments or denying Lifeline service to eligible consumers. The FCC set such standards for duplicates databases. In an October 2012 Public Notice, the Commission "provide[d] guidance to states regarding the process of opting out of the National Lifeline Accountability Database" and required states to build duplicates databases at least as robust as

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7 *See Lifeline and Link Up Modernization and Reform*, WC Docket No. 11-42, Order, DA 13-1441 (2013).

8 *See* Lifeline Reform 2.0 Coalition's Petition for Rulemaking To Further Reform The Lifeline Program, WC Docket Nos. 11-42, 03-109, CC Docket No. 96-45 (filed June 28, 2013) ("Petition").

9 *See* Lifeline Reform 2.0 Coalition Written Ex Parte Presentation; WC Docket No. 11-42 (filed Apr. 14, 2014).

the NLAD.[10] If the state duplicates database fails to meet the minimum requirements, then ETCs in the state are required to use the NLAD for duplicate detection.

The Commission, however, has not provided any guidance to states or set minimum standards with respect to eligibility databases, which could have important implications for Lifeline-eligible consumers. Therefore, the members of the Lifeline Connects Coalition proposed that the Commission establish minimum requirements for state eligibility databases. The ETCs proposed the following minimum requirements for any state Lifeline eligibility database:

(1) Real-time Application Programming Interface ("API") access to data

(2) Updated in a timely fashion, which ideally would be real-time or within 24-hours

(3) Simple yes/no response without access to underlying data (to address privacy concerns)

(4) Match based on last name, date-of-birth and last four digits of the applicant's social security number (no address-related field)

(5) Efficient exceptions and dispute resolution process

(6) Provide access to the Commission and USAC for audit purposes

The companies believe these are all essential elements of an effective state eligibility database. A database that meets these minimum criteria is unlikely to result in significant numbers of eligible Lifeline customers being turned away. However, there should be an "exceptions management" process for situations where eligible consumers are not found in the applicable state eligibility database.

B. Establishing a "Shot Clock" Time Period for Bureau Review and Approval of Petitions for ETC Designation, Compliance Plans and to Complete Audits

The Lifeline program would also greatly benefit from improved program administration. "Shot clocks" for FCC action on various applications and appeals should be adopted. Many federal ETC petitions have been pending for years, including at least one since 2010.[11] The FCC's Wireline Competition Bureau ("Bureau") has not approved a compliance

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10 *See Wireline Competition Bureau Clarifies Minimum Requirements for States Seeking to Opt Out of National Lifeline Accountability Database*, WC Docket Nos. 11-42, 03-109, 12-23 and CC Docket No. 96-45, Public Notice, DA 12-1624 (rel. Oct. 11, 2012) ("Opt Out Public Notice").

11 The Communications Act charges the states with designating ETCs, however, several states do not regulate wireless services and do not wish to designate wireless ETCs, so they have passed the designation responsibility back to the Commission.

plan[12] since December 2012 or a federal ETC petition since August 2012. These delays have artificially restricted competition among ETCs for Lifeline customers in all states, but especially in the twelve federal jurisdiction states.[13] Now that the national duplicates database is in place, there is no excuse for not processing these applications.

As discussed briefly above, nearly a decade ago when there were only two major wireless Lifeline providers, the standard offering was a 68 minutes plan. As additional wireless competitors entered the market, the standard offering has increased to 250 minutes, for essentially the same reimbursement amount. Similarly, handset quality and customer care have improved in more competitive markets such as Oklahoma.[14] The offering can continue to improve, and incorporate broadband data, if there is a healthy wireless Lifeline ecosystem with many ETCs approved to compete for low-income subscribers.

As the FCC has recognized previously,[15] the regulatory certainty created by establishing predictable decision timelines is essential to maintenance of adequate investment in the markets it oversees and regulates. For those same reasons and mindful of the need for private capital to support the transition of Lifeline to broadband, "shot clock" deadlines should be adopted for the Bureau and the FCC to act on federal ETC petitions, compliance plans and audits. In the Commission's recent Notice of Proposed Rulemaking seeking to reform the E-rate program, due to the significant delays identified especially for state networks and consortia, the FCC sought comment on proposals to reduce the time it takes USAC to review applications and release funding commitment decisions, including a proposal that USAC act within 90 days.[16]

Similar delays exist in the administration of the Lifeline program, as described above. Therefore, if no action is taken within 90 days of filing a federal ETC petition, it should be automatically granted. If no action is taken within 90 days of filing a compliance plan, it should be automatically approved. If no action is taken on an audit appeal within 90 days, it should be resolved to the benefit of the ETC. We are mindful that the Commission has many priorities and finite resources, therefore, consistent with the framework of Section 54.724, the Commission should have the ability to extend this deadline through public action by up to 90 days.

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12 The Commission's 2012 *Lifeline Reform Order* granted blanket forbearance from the requirement that ETCs provide service using, at least in part, their own facilities, conditioned on approval of a compliance plan describing how the ETC (or prospective ETC) would comply with the Commission's new requirements.

13 The federal jurisdiction states are Alabama, Connecticut, Delaware, the District of Columbia, Florida, Maine, New Hampshire, New York, North Carolina, Tennessee, Texas and Virginia.

14 The Oklahoma Corporation Commission deserves credit for recognizing that consumers rather than regulators should pick winners and losers in the marketplace.

15 *See* 47 C.F.R. § 54.724.

16 *See Modernizing the E-rate Program for Schools and Libraries*, WC Docket No. 13-184, Notice of Proposed Rulemaking, FCC 13-100, ¶236 (July 23, 2013).

C. Retention of Proof of Eligibility

Finally, the Lifeline Connect Coalition members, as well as others in the industry, have argued that ETCs should be permitted to retain proof of eligibility for audit purposes and in order to respond to negative media stories that undercut the public's confidence in program controls and erroneously claim an ETC did not require proof of eligibility.[17] The ETCs understand the FCC's and other parties' concerns raised by this proposal regarding Lifeline subscriber privacy rights, and the ETCs also seek to ensure that strict privacy controls are maintained. For that reason, we proposed in our Petition that the Commission require that the electronic storage of documentation of eligibility be encrypted according to a reasonable standard. Further, the ETCs proposed a limited retention period to allow for USAC auditing and to respond to media inquiries or reports. In addition, after discussions with Lifeline stakeholders, we also supported the concept of having a trusted third party such as USAC or another entity retain the documentation of eligibility, rather than the ETCs. In this manner, a single encryption standard can be chosen and all private information can be stored in a single location rather than at multiple locations with multiple ETCs.

The Lifeline Reform 2.0 reform package would complement the FCC's important and effective 2012 and 2013 reform efforts by providing regulatory stability for a healthy and competitive ETC ecosystem and in turn benefit Lifeline-eligible consumers by ensuring that Lifeline benefits are not denied due to deficient state databases and by providing a regulatory environment conducive to competition, investment and the advancement of Lifeline to broadband.

IV. The Lifeline Program is Ready to Join the Other USF Programs to Increase Broadband Affordability and Adoption

According to the CDC's most recent data, 56.2% of low-income Americans do not have landline phone service.[18] Low-income households are much more likely to live in wireless-only households. Today, the Lifeline program successfully provides access to mobile wireless communications services (voice and text) preferred by a majority of low-income Americans. In fact, approximately 85 percent of Lifeline benefits support wireless service for eligible consumers. One reason why low-income Americans choose wireless services over landline services is that wireless ETCs are generally eager to serve low-income Americans with innovative service offerings that are willingly adopted. A modernized Lifeline program must preserve consumer choice with respect to broadband, voice and text.

Today's Lifeline program, however, falls short in providing low-income Americans with affordable access to broadband services. Mobile broadband is the future of

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[17] The FCC's Lifeline rules currently prohibit ETCs from retaining a copy of the proof of eligibility.

[18] *See* "Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July-December 2013," U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics at 3 (rel. July 2014).

Lifeline. Low-income Americans already choose to have a phone in their pocket (rather than on the kitchen wall) and that's where they are most likely to make the most use of broadband. A mobile broadband connection can be used on a bus, on a work break, at a school, in a library and at home. A modernized Lifeline program must do more to make affordable access to mobile broadband a reality for low-income Americans.

The "disruptive" technology combination of mobility and broadband holds tremendous promise to combat the cycle of poverty. Increasingly (and in some cases, exclusively), job applications, healthcare, government services, education and community are available "online." Today, communications is the single greatest challenge facing those seeking to break the cycle of poverty. Lifeline is the only USF program that does not focus support on broadband. E-rate, rural healthcare and CAF are not substitutes for Lifeline. Low-income Americans live in cities and on farms. Some go to school and some do not. Some go to the library and some do not. No low-income American should have to go to a school or a library to get affordable Internet access. To achieve its purpose, Lifeline must bring affordable 24/7 broadband access to low-income Americans – a goal that is best achieved through mobile broadband.

A healthy Lifeline ecosystem is essential to a successful transition to broadband. Regulators, consumers and service providers will need to work together effectively. Maximizing the Lifeline program's promise, and each individual benefit, can be achieved through a public-private partnership between regulators and service providers – and by responsible consumer conduct.

Most consumers access and use the benefit responsibly. We must work hard to combat negative stigmas regarding use and negative perceptions arising from misinformation. We should consider means to curb serial abusers of the program. Most ETCs, their employees and their agents participate in the Lifeline program in a compliant and responsible manner. We must work hard to distinguish "bad actors" from ETCs, their employees and agents who are doing their best to achieve compliance in an imperfect environment. We should recognize the value that ETCs bring to the program in extending the reach and value of the Lifeline benefit.

The transition to broadband will require healthy wireless ETCs capable of attracting substantial investment and entrepreneurial talent. In order to attract the capital and talent needed to deliver low-cost smart phones and innovative broadband service offerings that will be adopted by low-income consumers, ETCs need a rational and relatively predictable regulatory environment. This means a rational approach to and timely resolution of misguided Notices of Apparent Liability, compliance plans, federal ETC applications and appeals of USAC audits.

With effective competition, wireless ETCs will compete for Lifeline customers by providing more in terms of service, handsets, customer care and creative add-ons. Competition today has resulted in many ETCs offering new rather than refurbished handsets. Minute packages that started at 68 minutes are now at 250 minutes. Text to minute rations are more favorable. Top-up purchases generally are now available in accessible $5 increments. Customer care often is available in multiple languages. And some ETCs are beginning to experiment with broadband service offerings.

In a broadband-focused low-income program, wireless ETCs will continue to innovate not only by figuring out which broadband offerings will be adopted by consumers, but also by developing solutions that make more of the benefit. Today, wireless ETCs can partner with Medicaid Care Organizations to maximize healthy outcomes and to reduce the cost of healthcare (e.g., by providing free calls and texts between patients and providers). Tomorrow, wireless ETCs can develop "apps" for use on broadband-enabled smart phones that will connect low-income households to job boards, resume-builders and robust email services that will be used to obtain employment and keep in touch with employers to, for example, change and take on additional shifts. The FCC should not force low-income consumers to choose broadband; just as consumers should be able to choose between landline and wireless service options, they should be permitted to choose between voice only, voice and text, broadband bundle and broadband only options.

The Lifeline Connects Coalition looks forward to working with the Committee and the FCC to strengthen the Lifeline program and transition it to robustly support important broadband capabilities for low-income Americans.

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Lifeline Connects Coalition
Federal Communications Commission Lifeline Enforcement
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The FCC recently has been involved with two very different tracks of enforcement with respect to the Lifeline Program. The first involves allegations of criminal fraud committed by certain eligible telecommunications carriers ("ETCs"), their owners and agents. These ETCs, individuals and allegations do not involve Lifeline Connects Coalition member companies. The second track of enforcement involves allegations of duplicate enrollments by most of the major Lifeline providers, despite the FCC's failure to provide a clear and consistent definition of a duplicate, including when differences in data provided by consumers under penalty of perjury should be disregarded.

Allegations of Criminal Fraud

- On April 10, 2014, the Department of Justice announced that three Associated Telecommunications Management Services LLC ("ATMS") executives were indicted on charges of one count of conspiracy to commit wire fraud and 15 substantive counts of wire fraud, false claims and money laundering for their alleged role in a scheme to submit false claims to the Universal Service Administrative Company ("USAC") for Lifeline reimbursements. A federal court in Florida issued a seizure warrant for the defendants' ill-gotten gains ($32 million), a yacht and several luxury cars. This case is pending. The FCC's Office of Inspector General ("OIG") contributed to this case.

- On April 25, 2014, Oscar Perez-Zumaeta was served with a criminal complaint for conspiracy to make false statements to the government by providing to ICON Telecom, an ETC, false subscriber information to seek fraudulent Lifeline reimbursements. The complaint alleges that Mr. Perez-Zumaeta engaged in a conspiracy to forge Lifeline recertification forms for thousands of subscribers in Oklahoma. Mr. Perez-Zumaeta was indicted in an Oklahoma City federal court on June 3, 2014. ICON Telecom's owner entered into a plea agreement on June 12, 2014. These cases are ongoing. The FCC's OIG contributed to these cases.

Duplicate Enrollments and the FCC's Lifeline Notices of Apparent Liability ("NALs")

- **NLAD.** More than a year after it was due, the FCC's duplicates database known as the National Lifeline Accountability Database ("NLAD") is now up and running. The NLAD defines a duplicate subscriber as one with the same last name, date of birth AND last four digits of the social security number as another Lifeline subscriber. It uses this standard to screen duplicate Lifeline enrollment attempts in real-time at the time of application. The Lifeline Connects Coalition member companies actively worked with the FCC and USAC on the implementation of the NLAD, and still contribute to bi-weekly calls and webinars regarding changes and clarifications to NLAD operation. No database is perfect, but the NLAD uses a clear and reasonable duplicate definition and is working well.

- **Industry Self-regulation.** Prior to the implementation of the NLAD, the Lifeline Connects Coalition member companies joined with dozens of other ETCs to voluntarily utilize an interim inter-company duplicates database developed by CGM, LLC to prevent over 375,000 duplicate enrollment attempts. This equates to savings to the Lifeline program of over $4 million per month or $50 million annually.

- **Intra-company Duplicates.** Our companies proactively screen-out and block suspected unscrupulous enrollment attempts that could result in intra-company duplicates. We estimate that we are nearly 100% effective in doing so.

- **IDVs.** Prior to the NLAD coming online, USAC conducted state-by-state in-depth validations ("IDVs") to screen duplicate enrollments. For purposes of the IDVs, the FCC instructed USAC to screen subscribers with the same name and same address. Instead, USAC looked for subscribers with similar names and addresses using its own undisclosed standards while ignoring subscriber social security number and date of birth information ETCs are required to collect and consider. Without an FCC rule or guidance, and while required to collect and use more consumer information than USAC reviewed, ETCs were left to guess which accounts included subscriber data close enough to be determined to be duplicates.

- **NALs.** Between September 30, 2013 and February 28, 2014, the FCC has issued 12 NALs to Lifeline service providers proposing fines totaling more than $94 million for allegedly providing duplicate benefits to consumers totaling $340,594. These items remain pending.

    - Lifeline Connects Coalition member companies (and other ETCs receiving these NALs) were nearly 100% perfect in blocking intra-company duplicate enrollments, yet the FCC has proposed massive fines for a miniscule percentage of accounts that USAC found to have largely similar subscriber information.

    - The NALs provide a false perception to the media, Congress and the American public that there has been over $94 million in fraud committed in the Lifeline program, when in fact the alleged overpayments from the fund total $340,594.

    - The FCC has failed to provide a clear and consistent definition of what constitutes a duplicate enrollment attempt by an applicant providing information and certifying to its veracity under penalty of perjury.

    - The FCC exceeded its authority in the NALs by seeking to hold ETCs strictly liable for the acts of apparently unscrupulous applicants seeking to obtain more than one Lifeline benefit.

    - The FCC's proposed fines are excessive and threaten the viability of ETCs and our ability to provide Lifeline services to eligible consumers. The NAL fine structure results in proposed fines of up to 586 times the alleged over-payment in Lifeline disbursements (which have already been restored to the USF). A single alleged duplicate resulting in over-recovery of $9.25 gets converted into more than $25,000 in fines.

    - It is our understanding that the alleged instances of intra-company duplicate enrollments at issue in these NALs typically amount to less than 1% of each ETC's enrollments analyzed, which is well under the 1.5% threshold set by the Improper Payments Elimination and Recovery Act ("IPERA") for "significant improper payments" by a government agency program. Allegations of failure to perfectly screen alleged duplicate enrollments in 100% of cases should be addressed by the established disbursement claim revisions process and not through an enforcement proceeding based on strict liability and excessive fines.

    - **The Lifeline Connects Coalition supports fair and equitable enforcement, however, the NALs and the forfeiture structure announced in them do not represent a rational, fair or equitable approach to enforcement.**

Lifeline 2014 Fact Sheet

Lifeline: Enabling Affordable Access to Critical Communications Services for America's Low-Income Consumers

Key Lifeline Facts

- Established in 1985
- Enables affordable access to critical communications services necessary to connect to jobs, healthcare, emergency services, family and community
- Choice of landline or mobile service
- Paid for by the Universal Service Fund administered by the FCC
- Uniform subsidy per eligible consumer is $9.25 (+$25 supplement for Tribal lands)
- Program currently serves 14.2 million subscribers at an annual cost of $1.8 billion (down from a high of $2.2 billion in 2012), making it the smallest of the FCC's three major Universal Service programs (E-rate $2.2 billion annually; High Cost/Connect America $4.5 billion annually)
- Current participation rate by eligible low-income consumers is approximately 40%

Lifeline Eligibility

- Households at or below 135% of the federal poverty guidelines or participation in other federal assistance programs such as Medicaid, Supplemental Nutrition Assistance Program (SNAP), Social Security Income (SSI), Federal Public Housing Assistance, Temporary Assistance for Needy Families (TANF), National School Lunch Program, Bureau of Indian Affairs General Assistance
- Benefit is limited to one-per-economic-household

Lifeline Providers

- Eligible Telecommunication Carriers (ETCs) are approved by State Public Utility Commissions or the FCC (12 states defer to the FCC for approvals of wireless ETCs: AL, CT, DE, DC, FL, ME, NH, NY, NC, TN, TX, VA)
- 1,450 landline ETCs; 120 wireless ETCs
- 85% of Lifeline disbursements go to wireless ETCs
- Largest wireless ETCs include TracFone, Sprint/Virgin Mobile, Budget Prepay, i-wireless, AT&T/Cricket, Telrite, Global Connection and Blue Jay Wireless
- Typical wireless Lifeline service offering is 250 minutes or texts for "free" after application of the Lifeline discount
- Supplementary voice minutes, text and data are available for a charge
- Wireless ETCs typically provide entry-level handsets free of charge; upgraded handsets are available for purchase
- Many wireless ETCs develop innovative services and programs to support the Lifeline benefit

Lifeline Reforms

- December 2009 NASUCA (National Association of State Utility Consumer Advocates) suggests the need for a duplicates database in light of program growth spurred by adoption of wireless ETC service offerings
- FCC launches rulemaking to modernize Lifeline program rules in 2011
- FCC releases landmark Lifeline Reform Order in February 2012
- Most FCC program reforms take effect in June 2012, including new application, certification and usage requirements, as well as annual recertification by December 2012
- National Lifeline Accountability Database (NLAD) (duplicate screening and identity verification database) successfully implemented in March 2014
- FCC currently considering proposals for additional reforms, including retention of proof and minimum standards for state eligibility databases

Lifeline Connects Coalition

- Members are Blue Jay Wireless LLC, Global Connection Inc. of America, i-wireless LLC, and Telrite Corporation
- Joined together to protect and preserve the integrity of the Lifeline program by educating and separating myths from facts about the program, sharing best practices on compliance and industry self-regulation, and by proposing additional reforms dubbed "Lifeline Reform 2.0" to the FCC
- Lifeline Reform 2.0 proposals include retention of eligibility proof subject to appropriate privacy safeguards, minimum standards for state eligibility databases, establishing a uniform definition of duplicate through an NLAD-based safe harbor, establishing a shot clock for FCC actions to ensure a level playing field conducive to sound program administration and effective competition
- The Coalition members' commitment to reform was demonstrated by their participation in a 24-company voluntary interim duplicates database self-regulatory solution that blocked 375,000 duplicate enrollments attempts and saved the program over $4 million per month or $50 million on an annualized basis

Mobile Broadband Is the Future of Lifeline

- Lifeline is the only one of the FCC's major Universal Service programs not to focus support on broadband
- Mobile broadband Lifeline service holds the promise of bridging the digital divide for low-income Americans – no other combination offers as much promise to break the cycle of poverty in America
- With the 2012 reforms and the National Duplicates Database now in place, the Lifeline program is on a stable foundation and is ready for its transition to broadband
- FCC has authority to extend to Lifeline program to broadband; pilot programs are under way
- A healthy and robustly competitive Lifeline ecosystem featuring responsible and innovative service providers, well informed consumers and a fair and firm regulator is essential to Lifeline's transition to broadband

Lifeline Connects

The Truth About Lifeline

Myth: The government gives away cellphones through Lifeline.
Fact: The Lifeline program does not pay for phones. It subsidizes the services only.

Myth: This is just another Obama Administration entitlement program.
Fact: The Lifeline program was created in 1985 under President Ronald Reagan for wireline phone service only. In 2005, Lifeline was expanded under the Bush Administration to include pre-paid wireless service.

Myth: Cellphone service is a luxury and does not require a government subsidy.
Fact: When the program began in 1985, only 80 percent of low-income households had phone service. Today, that level has increased to 92 percent in large part due to the success of the Lifeline program. According to the Centers for Disease Control, a majority of Americans living in poverty have only a cellphone and no wireline telephone, and over 40 percent of children live in homes with only a cellphone.

Myth: All you have to do is sign up. There's no real check to see who is eligible.
Fact: All Lifeline service providers are now required by the FCC to verify eligibility of a consumer by verifying income or participation in a qualifying program. A consumer is only eligible for Lifeline if their income is at or below 135 percent of the federal poverty guidelines, or a participant in Medicaid, Food Stamps, Federal Public Housing Assistance, National School Lunch Program, Bureau of Indian Affairs General Assistance, or Head Start.

Myth: Our tax dollars are used to pay for these discounted phone services.
Fact: Absolutely no federal tax dollars are used to fund the program. Funding comes from the Universal Service Fund (USF) from fees assessed on service providers and customers, which is also used to provide subsidies for rural phone service, rural telemedicine connectivity and public schools and libraries.

Myth: People can sign up for as many Lifeline accounts as they want.
Fact: The FCC's rules permit only one Lifeline account per household. The FCC and the industry have worked diligently to eliminate duplicate enrollments, and later this year,

the National Lifeline Accountability Database is expected to come online to help prevent duplicate enrollments before they happen.

Myth: The program ballooned and became fraught with fraud under the Obama Administration.

Fact: Under Chairman Genachowski, major reforms adopted last year to curb waste, fraud and abuse have saved the fund more than $200 million in 2012 and are projected to save $400 million in 2013. The fact is that under the FCC's recent reforms, enrollment in Lifeline has leveled off and has begun to shrink.

Myth: 41% of Lifeline subscribers couldn't demonstrate eligibility or refused to respond to requests for recertification in 2012.

Fact: The FCC found that 29% -- not 41% -- of Lifeline customers that were enrolled in the program as of June 2012 were de-enrolled at of the conclusion of the 2012 Lifeline Recertification Process. The FCC concluded that a non-response to a recertification request does not indicate that a subscriber was ineligible at the time of enrollment or at the time of the annual recertification.

For more information on the Lifeline Program, visit http://www.lifelineconnects.org/

THE HILL

June 03, 2013

Setting the record straight on the FCC Lifeline program

By Jessica J. González

Much has been made in the media over the Federal Communications Commission's Lifeline program, which helps make telephone service more affordable for poor families. Most of the media coverage, however, has been slanted and misleading.

Last month I testified at a hearing before the House Energy and Commerce's subcommittee on Communications and Technology titled "The Lifeline Fund: Money Well Spent?" My testimony provided a factual account of the history of the Lifeline program and the ways in which it is bettering lives today.

Lifeline has an important goal: to ensure that all people have access to affordable communications. Lifeline is a treasured tool that achieves broad societal objectives such as upward mobility. It positively and directly affects our economy, employment, healthcare, public safety, strong families, civic participation and education.

The idea that we, as a country, should remove barriers so that all people can access communications is not new. In fact, the concept of universal service can be traced back to the Postal Act of 1792. Lifeline's roots are in the Reagan FCC, which created Lifeline at the behest of a bipartisan group of congressman and senators.

In the Telecom Act of 1996, Congress further codified the concept by establishing the Universal Service Fund (USF), stating that "[c]onsumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services." And in the aftermath of Hurricane Katrina, the Bush FCC used USF monies to support prepaid wireless services and ensure that those displaced by the storm were able to stay connected. Later the Bush FCC expanded prepaid wireless Lifeline beyond Katrina victims.

Lifeline now provides phone service to millions of people. Who are these people? According to one provider, most have a household income of less than $15,000 per year. Nearly a third are over the age of 55 and more than one-third are disabled.

Stories in the media of corporate abuse for profit have drowned out the stories of the very real people that use Lifeline as a tool to improve their lives and move away from government assistance — for instance, the story of a disabled mother from Tennessee caring for a child with Down syndrome, who said "It gives me peace of mind to know that I can always call for help." Or the story of a veteran and double amputee, who uses wireless Lifeline to coordinate his doctor appointments and communicate with family while away from home; of a single father who was laid off but secured a new job in just a few months using his Lifeline; a pediatrician in Boston, who treats fragile children living in shelters, public housing and on the streets — she can monitor those children because of wireless Lifeline service; a mental health therapist in Baltimore, who explained that Lifeline could have helped when one of her third-grade clients attempted suicide at school. His mother had no phone and was difficult to reach that day.

I think you get the picture. The vast majority of Lifeline recipients are grateful seniors, deserving veterans and folks who are going through the hardest times of their lives — facing job losses, illnesses, disability and family tragedies. Lifeline enables the most vulnerable members of our society with access to 9-1-1 emergency services, the cellular AMBER Alert notifications and the emerging wireless emergency broadcast system Personal Localized Alerting Network (PLAN) that saved lives during Hurricane Sandy. For these people, Lifeline literally lives up to its name and must continue.

Many respected leaders in Washington, D.C., are rightly concerned about protecting the program from fraud, waste and abuse. Included in that group are some very smart and capable people at the FCC, including Acting Chairwoman Mignon Clyburn. The FCC has instituted sweeping reforms to the program so that the fund reaches its intended recipients. The FCC is to be congratulated for its ongoing oversight and protection of this vital service.

At the end of the day, Lifeline is creating a pathway out of poverty. It is the ultimate government service because it is helping people help themselves.

González is the vice president of policy and legal affairs for the National Hispanic Media Coalition (NHMC), a nonprofit civil rights and media advocacy organization.

Lifeline Reform 2.0

The Lifeline Connects Coalition Proposals to the FCC

The Federal Communications Commission's 2012 reforms to the Lifeline program have effectively reduced waste, fraud and abuse while producing significant cost savings. In June 2013, the Commission adopted additional reforms necessary to preserve the program. And yet, there is still more that can be done. Last year, we proposed a comprehensive package of reforms, dubbed "Lifeline Reform 2.0." Following comments submitted to the Commission, we advanced proposals that had garnered widespread support, especially among wireless Lifeline service providers. With the passage of time and the introduction of the National Lifeline Accountability Database ("NLAD") that now includes the identity verification component for which we had advocated, the Coalition now proposes the following revised package of key reforms.

The Coalition proposes **six core measures** that serve as the centerpiece of its reform package, including:

1. **Retaining copies of proof of eligibility documentation, subject to appropriate privacy safeguards**

2. **Establishing minimum standards for state Lifeline eligibility databases similar to the minimum standards that the FCC established for state duplicates databases**

    a. Real-time API access to data

    b. Updated in a timely fashion, which ideally would be real-time or within 24-hours

    c. Simple yes/no response without access to underlying data (to address privacy concerns)

    d. Match based on last name, date of birth and last four digits of the applicant's social security number (no address-related field)

    e. Efficient exceptions and dispute resolution process

    f. Provide access to the Commission and USAC for audit purposes

3. **Establishing a safe harbor from enforcement action for alleged duplicate enrollments for any Lifeline subscribers that have been submitted to the NLAD or a similar state database**

4. **Requiring non-commission based review and approval of enrollments, regardless of where the enrollment takes place**

5. **Establishing a "shot clock" time period for FCC review and approval of petitions for ETC designation, compliance plans and to complete audits**

6. **Allowing wireless reseller ETCs to define service territory based on zip codes of underlying carrier coverage and disassociating wireless ETC service territory from wireline carrier territories like exchanges and wire centers**

The Coalition's Lifeline Reform 2.0 reform package will complement the FCC's important and effective 2012 and 2013 reform efforts by eliminating the ability of individuals to exploit gaps that presently exist among ETCs subject to varying regulatory obligations or whose business practices may not reflect current best practices to reduce waste, fraud and abuse. In addition, the reforms will provide regulatory stability for a healthy and competitive ETC ecosystem and in turn benefit Lifeline-eligible consumers by ensuring that Lifeline benefits are not denied due to deficient state databases and by providing a regulatory environment conducive to competition, investment and the advancement of Lifeline to broadband.

FCC NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.
See MCI v. FCC. 515 F 2d 385 (D.C. Circ 1974).

FOR IMMEDIATE RELEASE:
April 3, 2014

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NATIONAL LIFELINE ACCOUNTABILITY DATABASE UP AND RUNNING

Database Key to FCC Efforts to Eliminate Waste, Fraud and Abuse from Lifeline

Bureau Also Releases New Audit Requirements for Large Lifeline Providers

Washington, D.C. – The Federal Communications Commission has launched a database designed to eliminate waste from duplicative subscriptions in the Lifeline phone service subsidy program nationwide. The National Lifeline Accountability Database, a cornerstone of the FCC's comprehensive efforts to combat waste fraud and abuse in the Lifeline program, already has identified $169 million in annualized savings by flagging existing duplicates for elimination while preventing enrollment of new duplicates.

"The National Lifeline Accountability Database makes smart use of technology to help prevent waste, fraud and abuse," said FCC Chairman Tom Wheeler. "The database is preventing new duplicates and has rooted out remaining ones. I commend the industry for working with us to implement this effective solution to eliminating wasteful duplicates."

Launched in 1985, Lifeline provides subsidies to make basic phone service – and the access it provides to jobs, family and emergency services – more affordable for low-income consumers. To preserve and improve Lifeline, the FCC in 2012 reformed and modernized the program to increase fiscal responsibility and toughen oversight of fast-growing subscriptions to mobile service.

Key to these reforms was eliminating duplicate subscriptions through use of an automated database. Now that the database is on-line, no Lifeline provider can enroll a new subscriber without first confirming that the subscriber's household doesn't already receive Lifeline service. Implementation of the database has been a joint effort by the FCC, the fund's administrator—USAC—and the industry. Subscriber information has been loaded into the database by USAC in stages over recent months.

Separately, the FCC yesterday released guidelines governing a new regimen of independent audits that Lifeline providers receiving $5 million or more a year from the program must conduct every two years. These comprehensive audits are in addition to the regular audits conducted by the program administrator. A list of providers covered by this new audit requirement is in Attachment 2 of the guidelines, which is available at http://www.fcc.gov/document/release-final-lifeline-biennial-audit-plan-announced.

The FCC began tackling the duplicates problem in mid-2011 by first clarifying that Lifeline subscriptions are limited to one per household, and directing USAC to manually scrub subscriber roles, state-by-state. That process has resulted in $269 million in annualized savings during development of the database.

Overall, the comprehensive reform package from 2012 is on track to save $2 billion through elimination of duplicates, tightened eligibility review, increased oversight of providers, elimination of unnecessary subsidies for initial phone connections, and more.

-FCC-

FOR IMMEDIATE RELEASE:
April 7, 2014

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LIFELINE CONNECTS COALITION APPLAUDS LAUNCH OF NATIONAL LIFELINE ACCOUNTABILITY DATABASE

Database is Key Element to Reform Efforts and Protecting the Integrity of the Program

Washington, D.C. – Lifeline Connects, a coalition of eligible telecommunications carriers committed to advancing the Federal Communications Commission's (FCC's) goal of preserving the integrity of the Lifeline Low-Income program, today released the following statement on the FCC's launch of the National Lifeline Accountability Database, also known as the NLAD or "No Duplicates" database.

"We applaud the FCC's efforts to successfully implement the NLAD, as we believe it serves as an important tool in restoring faith in the Lifeline program, service providers and those individuals that rely on the valuable service that Lifeline offers."

"We are pleased to have collaborated with the FCC on the database's implementation and look forward to moving beyond the misconceptions of the program to focus on improving the circumstances of those experiencing financial hardship by keeping them connected to potential employers, healthcare providers, family and emergency services."

As supporters of Lifeline reform efforts, the Lifeline Connects Coalition has an impressive 99.5 percent average success rate in preventing intra-company duplicate enrollments. In advance of the NLAD, coalition members, along with more than 20 other Lifeline service providers, voluntarily pooled their subscriber data to prevent inter-company duplicate subscribers. These efforts resulted in blocking one out of every ten enrollment attempts, as the database found the applicant to already be receiving a Lifeline benefit. The Coalition's voluntary prevention efforts prevented over 375,000 duplicate enrollment attempts, which equates to savings to the Lifeline program of $4.2 million per month (or $50 million annually).

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About Lifeline Connects

Lifeline Connects is a coalition of telecommunications service providers that believe that all Americans deserve access to affordable telephone service.

Federal Communications Commission Low-Income Fund Reforms
Lifeline Reform Order (FCC 12-11) February 6, 2012
Lifeline Further Reform Order (DA 13-1441) June 25, 2013

- Conformed the Lifeline rules to the new definition of "voice telephony service"
- Provides blanket forbearance from the "own facilities" requirement, if carriers file a Compliance Plan
- Toll Limitation Service support to be phased down and then eliminated
- New flat $9.25 Lifeline reimbursement
- Link Up eliminated, except in Tribal areas for ETCs receiving High Cost support
- New eligibility, enrollment, certification and verification regime, including duplicates and eligibility databases; requirement to view proof of eligibility
- The 2013 Lifeline Reform Order states that ETCs may not provide an activated device for Lifeline service until the consumer's eligibility is fully verified and all enrollment steps are completed
- As of June 1, 2012, customer eligibility depends on compliance with one-per-household requirement
    - ETCs must inform prospective customers that only one Lifeline service is available per household (marketing disclosures)
    - Lifeline application must include certification from customer that household is not already receiving a Lifeline service
- Marketing disclosures
- Two special requirements for pre-paid providers
    - Activation: no Lifeline support until the subscriber activates the service by means specified by carrier, such as outbound call
    - Usage: no Lifeline support for subscribers that have not "used" the service for 60 days
- ETCs were required to re-certify all existing customers as of June 1, 2012 by the end of 2012 and report to the FCC and USAC on January 31, 2013 (Form 555); must re-certify all subscribers annually and report by Jan. 31 for the previous year
- New ETCs will be audited by USAC within 12 months of seeking Lifeline reimbursement (by activating a Study Area Code to provide Lifeline service)
- ETCs that draw $5 million or more annually from the Low-Income Fund must hire an independent audit firm to perform audits every 2 years

Savings Reported by the FCC

- February 12, 2013 News Release: 2012 savings in Lifeline program more than $214 million; expect at least an additional $400 million in 2013

Lifeline Program Fundamentals

Lifeline Connects Coalition

KELLEY DRYE

June 17, 2014

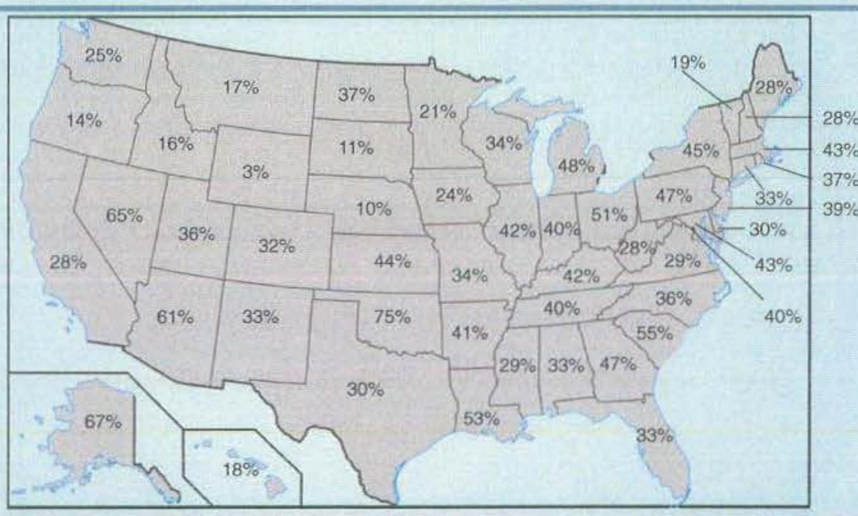
What Is Lifeline?

- A Universal Service Fund program established by the Federal Communications Commission in 1985 to make phone service affordable for low-income Americans
- Expanded to include wireless service in 2005
- Eligible Telecommunications Carriers (ETCs) receive disbursements from the Universal Service Administrative Company (USAC) for service provided to beneficiaries
    - Consumer benefit is $9.25/month for non-Tribal residents
    - Residents of federally-recognized Tribal lands receive additional $25/month

Who Benefits From Lifeline?

- An eligible beneficiary is someone with an income at or below 135% of the federal poverty guidelines
- Eligibility can also be determined by participation in low-income based federal assistance programs such as:
  - Medicaid
  - Supplemental Nutrition Assistance Program (SNAP)
  - Social Security Income (SSI)
  - Federal Public Housing Assistance
  - Temporary Assistance for Needy Families (TANF)
  - National School Lunch Program
  - Bureau of Indian Affairs General Assistance
- Approximately 14.2 million Lifeline subscribers, which is just under 40% of those eligible

Approximate Lifeline Program Participation Rates by State



How Is Lifeline Funded?

- No appropriated dollars are used to fund Lifeline
- Funding comes from the Universal Service Fund (USF)
- The USF is funded by assessing fees on service providers, which are generally passed on to customers, for the purpose of meeting universal service goals mandated by the Telecommunications Act of 1996
- Low-Income Fund $1.8 billion in 2013 down from a high of $2.19 billion in 2012
  - E-rate is over $2 billion annually
  - High Cost / Connect America Fund is $4.5 billion annually

How Is Lifeline Provided?

- 1,577 total Lifeline ETCs
- 120 wireless Lifeline ETCs
- May 2014 disbursements 85% wireless ($108 million out of $127 million)
- Top wireless Lifeline providers (by number of lines):
  - 1. TracFone (SafeLink Wireless)
  - 2. Sprint/Virgin Mobile (Assurance Wireless)
  - 3. Budget Prepay
  - 4. i-wireless (Access Wireless)
  - 5. AT&T/Cricket Communications
  - 6. Telrite Corporation (Life Wireless)
  - 12. Global Connection Inc. of America (Stand Up Wireless)
  - 16. Blue Jay Wireless

What Is Happening With Lifeline Reform?

- 2011 Notice of Proposed Rulemaking
- February 2012 Lifeline Reform Order
  - New application/certification form including collection of date of birth and last four digits of social security number
  - Annual recertification of all subscribers
  - 60-day non-usage rule
- June 2013 Handset Activation Order
- March 2014 National Lifeline Accountability Database implemented

What Does the Industry Do To Promote the Integrity of the Program?

- Voluntary interim CGM duplicates database blocked 375,000 attempted duplicate Lifeline enrollments, saving the Low-Income Fund approximately $4.1 million per month ($50 million in a year)
- Lifeline Reform 2.0 Coalition proposed further reforms
  - Establishing minimum standards for state Lifeline eligibility databases
  - Requiring review and approval of enrollments by personnel not paid on a per enrollment basis
  - Retaining copies of proof of eligibility documentation, subject to appropriate privacy safeguards
  - Establishing an NLAD safe harbor from enforcement action for alleged duplicate enrollments
  - Establishing a "shot clock" time period for FCC review and approval of petitions for ETC designation, compliance plans and to complete audits
  - Allowing wireless reseller ETCs to define service territory based on zip codes of underlying carrier coverage

Final Thoughts

- Lifeline is a critical, but underutilized, program to connect low-income communities to jobs, family, healthcare and emergency services
- Additional reforms can make Lifeline even stronger, but with the recent reforms, including the duplicates database, the Lifeline program is on strong and stable footing, and ready to transition to a broadband future